

Message Text

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ACTION NEA-10

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E. O. 11652: N/A
TAGS: ECON, EINV, PFOR, AG
SUBJ: GOA NATIONALIZES SIX FRENCH FIRMS

1. SUMMARY: SINCE BEGINNING OF THIS YEAR ALGERIA HAS NATIONALIZED SIX FRENCH-OWNED FIRMS, THE ASSETS OF ALL OF WHICH HAVE BEEN TRANSFERRED TO MINISTRY OF HYDRAULICS. ALTHOUGH INDEMNIFICATION HAS BEEN PROMISED IN ALL CASES, THERE WIDESPREAD BELIEF THAT INDEMNIFICATION WILL COVER ONLY NET BOOK VALUE. EMBASSY BELIEVES THIS ROUND OF NATIONALIZATIONS REPRESENTS CONTINUATION OF NATIONALIZATIONS THAT HAVE TAKEN PLACE SINCE INDEPENDENCE AND MORE WILL PROBABLY FOLLOW. EMBASSY REQUESTS GUIDANCE REGARDING APPROPRIATE REACTION IN LIKELY EVENT THAT US-OWNED FRENCH FIRMS ARE NATIONALIZED. END SUMMARY.

2. BETWEEN JANUARY 21 AND FEB 11, 1978, THE FOLLOWING SIX FRENCH FIRMS OPERATING IN ALGIERS WERE NATIONALIZED:

- A. INTRAFOR-COFOR (WATER EXPLORATION AND DRILLING);
- B. SIF-BACHY (WATER EXPLORATION AND DRILLING);
- C. GRAND TRAVAUX DE L'EST - GTE (CIVIL AND INDUSTRIAL ENGINEERING AND CONSTRUCTION);
- D. SOCIETE ALGERIENNE D'ENTREPRISE - SAE (ELECTRICAL ENGINEERING

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AND WATER WELL DRILLING);
E. COMETRA (PUBLIC WORKS, CIVIL ENGINEERING, CONSTRUCTION);
F. LAURENT BOUILLET (AIR CONDITIONING AND HEATING).
OF THESE FIRMS, INTRAFOR-COFOR, SIF-BACHY AND COMETRA WERE RELATIVELY SMALL OR INACTIVE; HOWEVER THE REMAINDER WERE QUITE ACTIVE, WITH GTE HAVING 2600 EMPLOYEES AND SAE 600 EMPLOYEES. LAURENT BOUILLET OPERATED A FACTORY PRODUCING AIR CONDITIONING EQUIPMENT.

3. THE ASSETS AND ACTIVITIES OF ALL SIX FIRMS HAVE BEEN TRANSFERRED TO STATE ORGANIZATIONS CONTROLLED BY THE MINISTRY OF HYDRAULICS. FOR THE LARGEST, GTE, A NEW STATE CORPORATION, "L'ENTREPRISE NATIONALE DE TRAVAUX HYDRAULIQUES (ENATHYD)" HAS BEEN CREATED TO TAKE OVER ASSETS.

4. IN ALL CASES THE NATIONALIZATION ORDINANCE STATES THAT NATIONALIZED FIRMS WILL BE INDEMNIFIED BY THE STATE AND THAT MODALITIES OF ASSESSMENT AND PAYMENT OF INDEMNIFICATION WILL BE SET FORTH BY DECREE. ALTHOUGH ALL FIRMS HAVE HAD NEGOTIATING TEAMS IN ALGIERS DISCUSSING INDEMNIFICATION, IT IS WIDELY BELIEVED THAT LITTLE MORE THAN NET BOOK VALUE WILL BE PAID. ONE FIRM'S REPRESENTATIVE TOLD EMBASSY THAT HE WAS TOLD BY ALGERIANS THEY WANTED TO HAVE ALL INDEMNIFICATION AMOUNTS SETTLED BY APRIL 1. BEFORE THAT TIME THEY COULD DEBATE COMPENSATION; AFTER APRIL 1, IF AGREEMENT HAD NOT BEEN REACHED, THEN AMOUNT WOULD BE DECREED BY GOA ON TAKE IT OR LEAVE IT BASIS.

5. EMBASSY COMMENTS: THE MOST CHARITABLE INTERPRETATION THAT CAN BE PUT ON THIS ROUND OF NATIONALIZATIONS IS THAT IT IS MERELY PART OF A LARGER PROGRAM OF EMPIRE BUILDING BEING UNDERTAKEN BY MINISTER OF HYDRAULICS AHMED BEN CHERIF (MEMBER OF COUNCIL OF THE REVOLUTION AND FORMER GENDARMERIE COMMANDER) AND THAT IT HAS NO DEEPER MEANING. WHILE THIS FITS IN NICELY WITH BEN CHERIF'S SYSTEMATIC ENLARGED OFFICIAL USE

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GEMENT OF THE SCOPE AND DEPTH OF HIS MINISTRY, WE DO NOT BELIEVE EXPLANATION CAN END THERE. IT PROBABLE, HOWEVER, THAT BEN CHERIF'S AMBITIONS WERE DRIVING FORCE BEHIND SELECTION OF THESE PARTICULAR COMPANIES TO BE NATIONALIZED AT THIS TIME. WE DO NOT BELIEVE EITHER THAT THESE NATIONALIZATIONS ARE MERELY PART OF A WIDER CAMPAIGN TO HARASS THE FRENCH (E.G. EARLIER INSTRUCTIONS TO MINISTRIES AND STATE CORPORATIONS TO REFRAIN FROM SIGNING NEW CONTRACTS WITH FRENCH FIRMS) AS RESULT OF FRENCH ACTIVITIES IN WESTERN SAHARA, ALTHOUGH HERE, TOO, THIS END HAS BEEN NICELY SERVED.

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6. EMBASSY BELIEVES THIS ROUND REPRESENTS SIMPLY THE DROPPING OF ANOTHER SHOE FROM THE IDEOLOGICALLY-DRIVEN CENTIPEDE OF NATIONALIZATIONS THAT HAVE TAKEN PLACE SINCE ALGERIA'S INDEPENDENCE. ACCELERATION OF THIS PROCESS WAS SIALED IN THE NATIONAL CHARTER PUBLISHED IN SUMMBER 1976 AND IN THE RECENT PASSAGE OF NEW FOREIGN COMMERCE LAW (REPORTED SEPARATELY), AND IT APPEARS LIKELY THAT MORE NATIONALIZATIONS WILL FOLLOW. FRENCH EMBASSY ECONOMIC COUNSELOR SAYS THERE ARE ABOUT 70 FRENCH-OWNED FIRMS STILL IN ALGERIA, ALTHOUGH MOST OF THEM ARE INACTIVE. HE WOULD NOT BE SURPRISED TO SEE ALL OF THEM NATIONALIZED BY YEAR'S END. WE DOUBT THAT THERE ARE MANY FIRMS REMAINING OF NATIONALITIES OTHER THAN FRENCH.

7. EMBASSY COMMERCIAL OFFER DISCUSSED NATIONALIZATIONS WITH SEVERAL INFLUENTIAL ALGERIAN OFFICIALS (INCLUDING A SONATRACH VICE-PRESIDENT, DIRECTOR GENERAL OF A BANK, AND A DIRECTOR IN MINISTRY OF LIGHT INDUSTRY). THEY WERE UNANIMOUS IN THE VIEW THAT THERE WERE MORE NATIONALIZATIONS TO COME. IN RESPONSE TO CML OFF'S COMMENT THAT US-OWNED FRENCH FIRMS (E.G. COLGATE, MERCK, SIMMONS, SINGER) HAD NOT YET BEEN TOUCHED BY RECENT ROUND OF NATIONALIZATIONS, RESPONSE WAS, "NOT YET, BUT THEY WILL BE*" ADDITIONAL COMMENT WAS, "PERHAPS FINALLY AMERICAN FIRMS WILL GET THE MESSAGE THAT IF THEY LIMITED OFFICIAL USE

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WISH TO DO BUSINESS IN ALGERIA THEY SHOULD DO IT DIRECTLY".

8. IMPLICATION FOR US IN ALL THIS IS THAT WE SHOULD BEGIN CONSIDERING WHAT OUR RESPONSE WILL BE WHEN US-OWNED FRENCH FIRMS ARE NATIONALIZED. (NOTE: EMBASSY DOES NOT BELIEVE ONGOING NEGOTIATIONS BETWEEN COLGATE AND SNIC FALL YET INTO THIS CATEGORY - SEE USDOC 3531 - BECAUSE SO FAR IT IS A MATTER OF NEGOTIATIONS OVER PURCHASE RATHER THAN NATIONALIZATIONS.) IT IS LIKELY THAT ONE OR MORE OF CRITERIA OF ADEQUATE, PROMPT AND EFFECTIVE COMPENSATION WILL NOT BE MET. IN MURKY REALM OF TRANSNATIONAL CORPORATIONS, EMBASSY NOT SURE JUST HOW EXCITED WE SHOULD GET OVER PROBLEMS OF COMPANIES THAT LEGALLY ARE FRENCH. SURELY THIS GENERAL QUESTION ALREADY HAS BEEN

EXAMINED, AND EMBASSY WOULD APPRECIATE GUIDANCE.
STEPHAN

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